



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Mechanics and Farmers Bank/M&F Bancorp

Person to be contacted regarding this report:	Kim D. Saunders, President & CEO	RSSD: (For Bank Holding Companies)	332224
CPP Funds Received:	\$11,735,000	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP Funds Repaid to Date:	\$0	FDIC Certificate Number: (For Depository Institutions)	12266
Date Funded (first funding):	6/26/2009	City:	Durham
Date Repaid ¹ :		State:	North Carolina

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

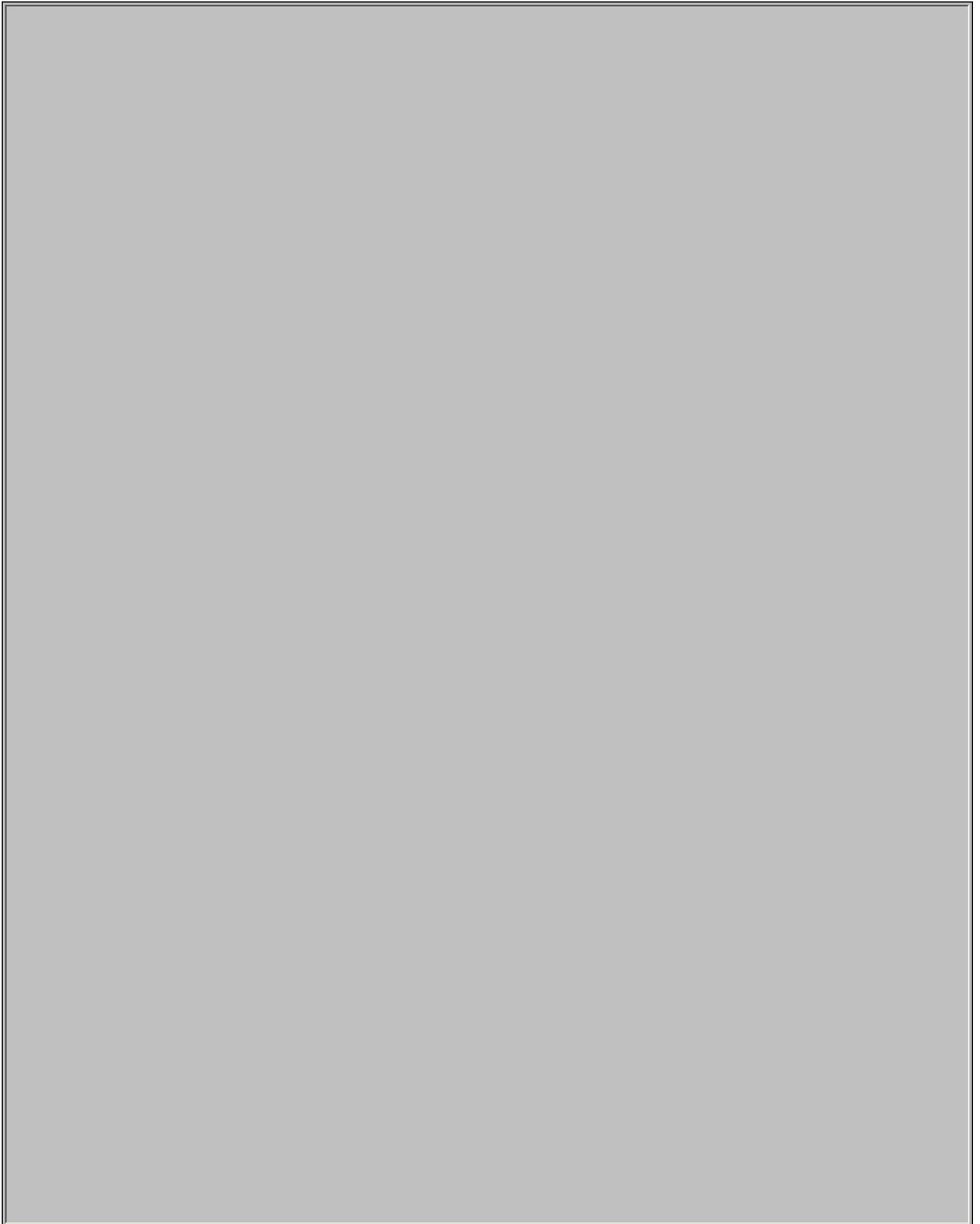
What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	M&F Bank was able to increase its loan portfolio and lending in 2009. The TARP proceeds provided additional capital to support this growth.
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<input checked="" type="checkbox"/>	<p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p>	<p>M&F Bank was able to continue its growth of owner occupied commercial real estate loans. This includes loans to non-profits, churches, and small businesses.</p>
<input type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	
<input type="checkbox"/>	<p>Make other investments</p>	
<input checked="" type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	<p>Due to the significant economic downturn, some of our borrowers experienced financial difficulties. The TARP proceeds provided additional capital to assist the bank in working with our borrowers in these challenging times.</p>

<input checked="" type="checkbox"/> Reduce borrowings	M&F Bank was able to continue to grow the bank and bring in new deposits and customers, as a result of the additional capital provided by the TARP proceeds. As a consequence, the Bank was able to reduce the level of borrowings.
<input type="checkbox"/> Increase charge-offs	
<input type="checkbox"/> Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/> Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

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What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

M&F bank was able to continue to grow the Bank's customer deposit base and loan portfolio, improve our balance sheet, continue to provide a return to stockholders, as well as work with greater resources on hand, with our customers that were experiencing significant challenges during this recent economic crisis. Our capacity to achieve these goals was enhanced due to the receipt of TARP capital.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

None that are not noted above.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.